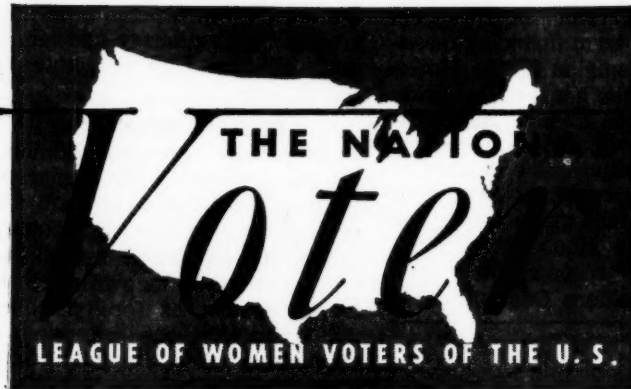


April 15, 1957



1026 17th STREET, N. W., WASHINGTON 6, D. C.

FOREIGN AID—FRONT AND CENTER

For many months now, foreign aid has held the center of the stage. An impressive number of studies has been undertaken, including several authorized by Congress and two by the Administration. Prominent among non-governmental papers and research projects are the policy statement of the businessmen's Committee for Economic Development, and "The Theory and Practice of Foreign Aid" by Harlan Cleveland (dean, Maxwell Graduate School, Syracuse University) for the Rockefeller Brothers Fund.

The Senate, under the leadership of then Senator George (D., Ga.), Chairman of the Foreign Relations Committee, set up a Special Committee to Study the Foreign Aid Program. Composed of the Foreign Relations Committee and Chairmen and ranking minority members of the Appropriations and Armed Services Committees, the Special Committee departed from usual procedure and contracted with 11 outside research organizations and institutions for study projects.

The House Foreign Affairs Committee study consisted of special hearings in addition to 24 days of regular testimony on the Mutual

Security Act. A draft report, prepared under the direction of the Chairman, then Representative Richards (D., S. C.), was submitted in December to the full Committee.

The presidential studies were done by 1) the President's Advisers on the Mutual Security Program, a group set up in 1956 and chaired by Benjamin Fairless, former head of U. S. Steel, and 2) the International Development Advisory Board, chaired by Eric Johnston, president of the Motion Picture Association of America, Inc. IDAB was established in 1950 to advise the President on economic and technical assistance.

FINANCING

Loans and Grants. In general, all studies favored loans over grants. The Fairless Committee would severely limit grants. One nongovernmental report stressed that variety in loan and grant forms would permit more flexible adaptation to local conditions and needs.

Private Investment. All studies favored increasing private investment. All but one believed that it would be some time before private investment could and would play a significantly larger role in economic assistance. The absence of self-sustaining growth, characteristic of the underdeveloped countries, was termed the greatest single deterrent to private investment; also, many of the most-needed projects, such as land reclamation and highway construction, offer no inducement to private investors.

One Senate study contended that private investment could and

should supplant foreign aid now. In its view, aid programs encourage government control over the economy, lead to unrealistic fiscal policies and promote international financial irresponsibility. This report proposes U. S. guarantees to stimulate and insure private investment, i.e., protection against inconvertibility, expropriation, confiscation, and war risk; tax relief for U. S. foreign investors; grants and loans to U. S. business for foreign operations.

Impact on U. S. Economy. One Senate study surveyed the impact of foreign aid programs on the American economy. The report concludes that these programs have small impact on the economy as a whole and estimates that "assuming a gross national production level by 1965 of \$565 billion (in 1955 prices), the United States could double the present size of the foreign aid program with little additional impact . . ." The report emphasizes that costs should be judged primarily in terms of the total program's contribution to foreign policy objectives.

Toward Reduction in Spending. The Fairless Committee and House draft reports envisage no increases in the present level of spending.

The House study comments that "although the recommendations which have resulted from the survey tend to broaden the purposes for which U. S. assistance should be provided and to remove certain restrictions . . . it is recommended that the annual expenditure . . . for foreign aid should be reduced rather than increased."

The Fairless Committee, "dis-

Mrs. Walter Laves, a national Director of the League, told the Special Senate Committee April 12 that long-range foreign aid programs are "the best means available for contributing to the evolution of the newly emerging states of Asia, Africa and other areas into the kind of reliable partners we must have . . . in an interdependent world." Copies of the statement are available from the national office at 5c each.

turbed by the high level and rising trend of our government's expenditures at home and abroad," formulated recommendations to avoid increase in costs and provide a basis for gradual reduction.

Toward Increase in Spending. The CED and Cleveland reports both see substantial increase in the economic aid program as desirable.

The CED, for example, can conceive of a proposal for spending say \$5 billion over a 5-year period in addition to the present program; upon evidence of productive use, it would consider such a project a desirable and necessary investment. CED points out, however, that the actual new cash outlay would be considerably less than the total dollar value if continued use is made of agricultural surpluses. It favors such use until agricultural supply and demand are brought into balance.

The Committee sums up its philosophy of additional economic development funds with full recognition of the need for economy in government expenditures as follows: "... the essence of economy is to distinguish between the vital and the merely desirable. There are few federal functions more vital to our national interests than assistance to economic development abroad, although there are many programs that carry greater political weight because their benefits are more obvious and closer to home ..."

Harlan Cleveland says simply: "Our foreign aid effort is too small, too rigid and spasmodic in its financing, too bilateral and too centralized."

The IDAB report cites these facts: formation of capital in Asia and Africa totals only \$7 billion a year; in Latin America, \$8 billion; U. S. output of goods and services was \$412 billion in 1956 and has been increasing at a long-term rate of 3.5 percent a year or an amount now of over \$14 billion a year. "In other words," says the Board, "the United States could make a significant increase in the capital formation of the underdeveloped countries with no reduction at all in U. S. income and with only a small reduction in the amount by which our income increases each year."

The Long Term. Most reports believed long-term financing essential. In the opinion of the House report, "... the heart of the problem lies in the annual authorization-appropriation cycle."

One suggestion was a continuing authorization enabling the appropriation of funds up to a specified limit. In the House this would throw major responsibility upon the Appropriations Committee.

"Grandma, What Big Teeth You Have"



—Copyright 1957,
The Washington Post Company

A second approach, suggested by several, would authorize a specified sum with no time limit on its use. Following this line of thinking, the IDAB proposes an International Development Fund.

The Fund would operate through the International Cooperation Administration on a 3-year basis, lend on more generous terms than the International Bank, and would be able to participate in joint financing. Congress would receive semi-annual reports and accounting, and would replenish working capital as the Fund's needs are demonstrated. The administrator would have broad powers in setting terms of loans, not be hampered by prior allocations to particular countries or areas, and have authority to contribute to international agencies involved in the same task. The administrator would consult closely and frequently with appropriate congressional committees.

The Fairless Committee recommended that both military and economic assistance programs be presented to each Congress for approval instead of each session. The

Committee saw a definite need for greater discretionary power in both military and economic authorization.

MILITARY-ECONOMIC

All reports agree that economic assistance should be separated from military assistance and that an economic development program should be considered, established, and budgeted on its own merits as an instrument of foreign policy. All agree that the intermingling of military and economic assistance has created misunderstandings at home and suspicions abroad. Some believe that military objectives have dominated the program and thus retarded the development of a sound foreign economic development policy. None of the reports underestimated the necessity of maintaining an adequate military shield.

MULTILATERAL-BILATERAL

All studies conclude that the major portion of the U. S. economic development assistance program should be on a bilateral basis. Some studies recommend increased U. S. support for multilateral programs; others, continued support at the present level.

One of the Senate studies suggests the establishment of an international advisory council to promote more international cooperation among bilateral and regional assistance programs.

The CED adds that technical assistance seems better suited to multilateral administration. CED also holds that in some countries multilateral administration might have additional benefits.

The only proponent of multilateral aid over bilateral aid is Mr. Cleveland. Although critical of present organization and administration of U.N. technical assistance, he believes that the major part of economic aid funds should be administered through a U.N. International Development Organization.

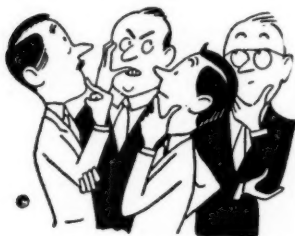
There is overwhelming agreement in all the reports that our foreign economic aid program is of critical importance. But Congress is being besieged with demands for economy, and **unless strong public support is clearly indicated the outlook for economic aid is not good.**

Aftermath of Cole v. Young

Ten months ago, a former food and drug inspector (Mr. Cole) won his claim against the Civil Service Commission (Mr. Young, Chairman) as a security risk from his nonsensitive position with the Department of Health, Education, and Welfare. With this much-publicized Supreme Court decision, there began a new chapter in the life of the three-year-old Eisenhower Federal Employee Program.

Since the high court's decision questioned not only the Chief Executive's interpretation of a law but Congress' intent in passing the law in the first place, a great debate ensued both on Pennsylvania Avenue and on Capitol Hill.

What did the decision mean? Was it a threat to our national security? Was it a step forward in individual rights? What needed to be done about it? Should a new executive order be issued? Should Congress pass a new law?



Before these questions were answered and the issues settled, Congress adjourned, an election drew near, and all became quiet on the loyalty-security front.

Now everyone seems to be waiting to see what the Commission on Government Security (due to report June 30, 1957) has to say about the federal security program in general and the Cole decision in particular. That is, everyone is waiting except the lower federal courts, which are busy deciding individual cases.

How did it all begin?

Mr. Cole was summarily suspended from his nonsensitive job (i.e., he did not have access to classified information nor was he in a position to influence policy).

Charges? That he had "close associations with people reliably reported as Communists" and maintained "a sympathetic asso-

ciation" with, had contributed funds and services to, and had attended social gatherings of Nature Friends of America, which is on the Attorney General's List.

Mr. Cole did not submit a formal answer to the charges nor did he request a hearing. He was then fired as a security risk.

Later, he attempted to exercise his rights under the Veterans Preference Act but his appeal to the Civil Service Commission was denied. He took his case to a federal district court, then to a court of appeals; his firing was reaffirmed. These decisions were reversed by the Supreme Court.

The issue before the Court was whether Mr. Cole's firing as a security risk from a nonsensitive job was illegal. More specifically, the Court was asked to decide whether President Eisenhower's Executive Order 10450 (which extended the security procedures for sensitive agencies to all federal employees) went beyond the scope of the 1950 statute on which it was based. This law, P.L. 733, granted to the heads of 11 sensitive agencies summary suspension powers and unreviewable dismissal over their civilian employees. The 1950 Act also provided that these powers could be extended "to such other departments and agencies of the government as the President may, from time to time, deem necessary in the best interests of national security."

The Court ruled, 6-3, that the 1950 Act was applicable only to persons working in "sensitive" positions. The majority decision, written by Justice Harlan, revolved around the meaning of "national security" as defined in the 1950 Act: "... we think it clear from the statute as a whole that the term was intended to comprehend only those activities of the govern-

VOTERCIPHER No. 8

VOTERCIPHER is a cryptogram—writing in cipher. Every letter is part of a code that remains constant throughout the puzzle. Answer No. 8 will be found in the next issue.

CASO CANC QNZ WHYS PX
SUUSZCHNR RHJSFCO CB
BJCNHZ N RHCCRS CSGXBFNFO
UNESCO KSUSFYS ZSHCASF
RHJSFCO ZBF UNESCO.
—JSZVNGHZ EFNZDRHZ

Answer to Votercipher No. 7

Till taught by pain men really
know not what good water's worth.

—Lord Byron

ment that are directly concerned with the protection of the nation from internal subversion or foreign aggression, and not those which contribute to the strength of the nation only through their impact on the general welfare."

The majority further held that "in the absence of an immediate threat of harm to the 'national security,' the normal dismissal procedures seem fully adequate and the justification for summary powers disappears."

Justices Clark, Reed and Minton, dissenting, asserted that the Court had "stricken down the most effective weapon against subversive activity available to the government."

CONGRESSIONAL REACTION

Reactions on the Hill ranged from the contention that the decision "does much to take security out of politics and restore it to sanity" to "it has struck a mortal blow to government barriers against Communist infiltration."

Three Senate bills to wipe out the decision's effect by legalizing the current Executive Order's application to nonsensitive positions were quickly approved by the Senate Internal Security Subcommittee, following brief hearings. However, the 84th Congress adjourned before further action was taken. In the 85th Congress, the Subcommittee issued a report which among other things, calls for legislation to overrule the decision. Also, a sponsor of one of the bills,

NOMINATIONS ARE IN ORDER

Any member wishing to submit a name or names for national office in the League for 1958-60 is reminded to send suggestions to the chairman of the Nominating Committee by June 15, 1957. Mail them to Mrs. F. W. Hopkins, 221 Harrison Avenue, Highland Park, N. J.

Senator Mundt (R., S. D.), has reintroduced his bill (S. 231) and it is pending before the Senate Post Office and Civil Service Committee.

On the House side, Representative Walter (D., Pa.) introduced in 1956 a bill to amend P.L. 733 to make all federal employees subject to its provisions. This bill defined national security as "all governmental activities . . . involving the national safety, security, and welfare, including but not limited to activities concerned with the protection of the United States from internal subversion or foreign aggression." The House Post Office and Civil Service Committee held a one-day hearing last July, but no further action was taken. Mr. Walter has reintroduced his bill, H.R. 981.

Meanwhile, in contrast, a Senate Post Office and Civil Service Subcommittee issued a detailed report in September 1956 which in effect accepts the Cole decision's definition of national security and the limitation of the current program to sensitive positions.

EXECUTIVE REACTION

Within three days after the decision, the Justice Department pledged "full compliance" and ordered that employees currently suspended from nonsensitive jobs be reinstated (17 immediately returned to their jobs). Agencies were further advised by the Justice Department that, pending further study, no removal proceedings should be started against any employee in a nonsensitive post.

In a letter July 5, 1956, to the House Post Office and Civil Service Committee, Attorney General Brownell supported passage of the Walter bill as an interim measure, pending the report of the Commission on Government Security. A stronger letter from Civil Service Commissioner Young also referred to the Commission's study, but urged "speedy enactment" of the Walter bill on the ground that the Cole decision "drastically" limits the operation of the present security program.

On August 1, 1956, the Attorney General issued a memorandum to the effect that federal employees who had been removed from nonsensitive jobs were entitled to reinstatement with back pay unless

more than 18 months had elapsed since their dismissal without their having filed a claim or instituted legal action.

This memorandum was followed on August 27, 1956, by an announcement before the American Bar Association convention by George Cochran Doub, an Assistant Attorney General, that the government would have ready within the next few weeks a new executive order limiting the Federal Employee Program to sensitive jobs. The new order still has not been issued.

RECENT COURT CASES

The Court's decision in the Cole case has given rise to many new cases in federal district courts.

What about the employees who do not fall within the 18-month limitation? Do they have any recourse?

In March 1957, a district court



judge upheld the government's ruling on the 18-month limitation on reinstatement (Tucker v. Brucker). Tucker's counsel has indicated that the decision will be appealed. Tucker claimed that he had not filed suit until the Cole decision since it "would have been a futile and expensive gesture."

What about the person in a noncompetitive Civil Service job who was summarily suspended and later fired from a nonsensitive position? Has he a right to be reinstated?

In Vitarelli v. Seaton, a district court judge dismissed Dr. Vitarelli's application for reinstatement in his Schedule A position with the Interior Department. The government has conceded that Vitarelli's firing as a security risk was invalid under Cole v. Young and says it has "taken all practical steps short of reinstatement" to remove "the badge of infamy" by expunging all adverse statements from the records of the Interior Department

and the Civil Service Commission. However, Vitarelli claims that derogatory information about him remains in government investigative files, which as an applicant for employment he has limited opportunity to meet and refute. He plans to appeal.

What about the person who resigned after summary suspension? Did he forfeit his rights?

John Carr Rogers, a former illustrator with the Internal Revenue Service, filed suit for reinstatement to his nonsensitive position from which he had resigned in January 1955 following his suspension without pay. Rogers states, he resigned in order to withdraw his retirement fund contributions since he had used up his savings. He claims that security suspensions as well as security firings from nonsensitive positions have been rendered illegal by the Cole v. Young decision.

WELCOME!

You in the U.S.A., a publication of the Carrie Chapman Catt Memorial Fund, made a timely debut last December. It is an orientation primer for newcomers to this country, and the first distribution included 1,000 copies for Camp Kilmer, where the pamphlet proved so useful that upon request CCCMF printed 10,000 copies in Hungarian.

The subject matter of the 90-page four-by-six booklet ranges from self-service to federal-state-local governmental relationships, from vending machines to income tax. The Hungarian edition is in use not only at Camp Kilmer but also at the Institute of International Education and at Bard College.

Written by Helen Hill Miller, distinguished journalist, **You in the U.S.A.** sells for 25 cents and is obtainable from the Carrie Chapman Catt Memorial Fund, Inc., 461 Fourth Avenue, New York 16, N. Y.

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